

## Message Text

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44

ACTION EA-10

INFO OCT-01 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-02

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 JUSE-00 AGR-10 FEAE-00 FTC-01 /101 W

----- 103712

R 210819Z APR 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 9584

INFO USDEL MTN GENEVA

AMCONSUL HONG KONG

AMEMBASSY TOKYO

UNCLAS SEOUL 2755

HONG KONG FOR REGFINATT; TOKYO FOR REGIONAL CUSTOMS ATTACHE

E.O. 11652: N/A

TAGS: ETRD, EIND, KS, US

SUBJECT: ROKG EXPORT INCENTIVES INCREASED; CERTAIN IMPORT  
DEPOSIT RATES RAISED

REF: A. SEOUL 2548 (NOTAL)

B. SEOUL 2509 (NOTAL)

C. SEOUL A-45

D. SEOUL A-310, DTD 12/23/74 (NOTAL)

SUMMARY: IN FURTHER EFFORT TO EASE BALANCE OF PAYMENTS PROBLEMS,  
ROKG HAS ANNOUNCED MORE GENEROUS PREFERENTIAL EXPORT FINANCING,  
OTHER ACTIONS TO ASSIST EXPORT INDUSTRIES AND INCREASES IN  
CERTAIN PRIOR IMPORT DEPOSIT RATES. RATES FOR IMPORTS ON USANCE  
OR DOCUMENTS AGAINST ACCEPTANCE (D/A) BASIS OF RAW COTTON,  
SCRAP IRON AND STEEL, RAW MATERIALS FOR FERTILIZERS AND AGRICUL-  
TURAL CHEMICALS AMONG ITEMS OF U.S. INTEREST AFFECTED. END SUMMARY

1. REFLECTING CONTINUING CONCERN OVER CURRENT BALANCE OF  
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PAYMENTS PROBLEMS AND PRESSURE FROM EXPORT ORGANIZATIONS,

ROKG MINISTRY OF FINANCE (MOF) ANNOUNCED FURTHER SERIES OF MEASURES, EFFECTIVE APRIL 17, PROVIDING ADDITIONAL ASSISTANCE TO EXPORT INDUSTRIES AND RAISING PREFERENTIAL PRIOR IMPORT DEPOSIT REQUIREMENTS FOR MOST IMPORTS ON A USANCE OR D/A BASIS.

2. EXPORT MEASURES AFFECTED ARE PRINCIPALLY SAME GROUP OF INCENTIVES WHICH WERE MODIFIED IN CHANGES DESCRIBED REF D. PREFERENTIAL INTEREST RATE FOR SHORT-TERM EXPORT FINANCING, INCLUDING PURCHASE OF DOMESTIC MATERIALS FOR EXPORT, HAS BEEN LOWERED FROM 9 TO 7 PERCENT UNTIL DECEMBER 31, 1974. (PRIME COMMERCIAL RATE IS 15.5). RATE FOR FINANCING IMPORTED RAW MATERIALS FOR EXPORT SWITCHED FROM FIXED RATE OF 12 PERCENT TO FLOATING RATE BASED ON EURODOLLAR RATE PLUS 2.5 PERCENT (ACCORDING MOF, CURRENT COMBINED EURODOLLAR RATE AND PREMIUM EQUAL TO ABOUT 10.5 PERCENT). OUTSTANDING LOANS FOR STOCKS OF IMPORTED RAW MATERIALS FOR DEPRESSED EXPORTS MAY NOW BE EXTENDED FROM 180 TO 270 DAYS WITH 12 PERCENT IN LIEU OF 15.5 PERCENT RATE AFTER 135 DAYS. FINANCING FOR IMPORTED RAW MATERIALS EXTENDED TO COVER FREIGHT COSTS IF CARRIED ON KOREAN FLAG VESSEL SINCE FOREIGN CREDITS REPORTEDLY NOT AVAILABLE FOR SUCH COSTS.

3. OTHER MEASURES FOR EXPORT INDUSTRIES INCLUDE EXPANSION OF PROGRAM OF GOVERNMENT PURCHASE OF EXCESS INVENTORIES OF SELECTED EXPORT PRODUCTS; MORE GENEROUS PROVISIONS FOR EXPORTERS' OVERSEAS EXPENDITURES; FURTHER DEFERRAL OF TAXES ON DOMESTIC TEXTILE SALES (AN INDIRECT BENEFIT TO TEXTILE EXPORTERS) AND SOME ADMINISTRATIVE CHANGES IN LETTER OF CREDIT ARRANGEMENTS DESIGNED TO CUT OVERHEAD EXPENSES.

4. CHANGES IN PRIOR IMPORT DEPOSIT REQUIREMENTS LIMITED TO INCREASING PREFERENTIAL RATES FOR USANCE AND D/A IMPORTS (THESE PREFERENTIAL RATES APPLY ONLY TO CREDITS OVER 90 DAYS). PREVIOUS SCHEDULE FOR THESE DEPOSITS WAS FORWARDED WITH ENCLUSURE ONE, REF C. MOST RATES ON THAT SCHEDULE DOUBLED WITH EVEN LARGER INCREASES FOR SOME OF LOWEST RATES. STANDARD RATE MOVED FROM 20 TO 40 PERCENT. EXCEPTIONS MADE FOR RATES FOR CRUDE OIL, WHEAT AND OTHER GRAINS WHICH ARE UNCHANGED FROM PREVIOUS SCHEDULE. CHANGES IN SPECIAL RATES OF PARTICULAR INTEREST TO U.S. ARE UNCLASSIFIED

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INCREASES OF DEPOSIT RATES FOR RAW COTTON AND RAW MATERIALS FOR FERTILIZERS--FROM 10 TO 20 FOR D/A AND 10 TO 40 FOR USANCE; AND FOR SCRAP IRON AND STEEL AND AGRICULTURAL CHEMICALS--FROM 5 TO 20 FOR D/A AND 20 TO 40 FOR USANCE. ALL ABOVE RATES STILL WELL BELOW THOSE FOR IMPORTS ON BASIS SIGHT L/C, DOCUMENTS AGAINST PAYMENTS (D/P) AND D/A OR USANCE OF 90 DAYS OR LESS. (SEE ENCLOSURE ONE, REF C, FOR THOSE RATES.) INTENT IS TO FURTHER DISCOURAGE IMPORTS, BUT STILL RETAIN SIGNIFICANT

INCENTIVE FOR FINANCING ESSENTIAL IMPORTS WITH TRADE CREDITS OF OVER 90 DAYS.

5. COMMENT: MORE GENEROUS TERMS FOR PREFERENTIAL EXPORT FINANCING IS REVERSAL OF TREND IN RECENT YEARS WHICH HAS SEEN GRADUAL NARROWING OF MARGINS BETWEEN PREFERENTIAL RATES AND PRIME COMMERCIAL RATE (SEE REF B RE CURRENT COUNTERVAILING DUTY CASE.) NEW RATE FOR SHORT-TERM EXPORT FINANCING OTHER THAN FOR IMPORTED RAW MATERIALS NOW SAME AS FOR LATTER HALF OF 1973. (RATE WAS RAISED FROM 6 TO 7 PERCENT IN MAY 1973.) HOWEVER, FOR IMPORTANT IMPORTED MATERIALS CATEGORY CURRENT FLOATING RATE OF ABOUT 10.5 PERCENT IS WELL ABOVE 1973 RATES OF 6-7 PERCENT. LOWER INTEREST RATE FOR DOMESTIC MATERIALS FOR EXPORT IS LATEST IN SERIES OF MOVES TO ENCOURAGE IMPORT SUBSTITUTION AS WELL AS EXPORT PROMOTION.

6. WE HAVE QUESTIONED WISDOM OF RAISING IMPORT DEPOSITS ON RAW COTTON IN VIEW OF JOINT EFFORT TO EXPEDITE OLD CONTRACTS. ECONOMIC PLANNING BOARD HAS PROMISED EARLY RESPONSE ON THIS POINT.

7. ADDITIONAL DETAILS FOLLOW BY AIRGRAM.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORT CONTROLS, BALANCE OF PAYMENTS DEFICITS, IMPORT CONTROLS  
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**Copy:** SINGLE  
**Draft Date:** 21 APR 1975  
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**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Disposition Event:**  
**Disposition History:** n/a  
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**TAGS:** ETRD, EIND, KS, US  
**To:** STATE  
**Type:** TE  
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